

STATE TEACHERS' RETIREMENT SYSTEM

BILL ANALYSIS

Senate Bill 610, **Senator O'Connell** (As Amended 08/24/98)

Position: **Support**

Proponents: **Service Employees International Union (Sponsor)**
American Association of State County and Municipal Employees
California State Association of Counties
CalSTRS
Sacramento County Deputy Sheriff Association

Opponents: **Department of Finance**

SUMMARY

This bill would amend three sections of the Education Code to extend reciprocity to CalSTRS Defined Benefit (DB) Program members who are also members of a county retirement system established under the County Employees' Retirement Law of 1937 ('37 Act). The bill would also add a new section to the Government Code that would extend the reciprocal rights and limitations which are applicable to members of a county retirement system under the '37 Act who are members of PERS to members of a county retirement system under the '37 Act who are members of the CalSTRS' DB Program. A number of provisions are "double joined" to other bills to avoid chaptering out of provisions if SB-610 and the other bills are enacted.

BACKGROUND

No prior legislation.

CURRENT PRACTICE

Current statutory provisions within the Teachers' Retirement Law (TRL) provide for members of the CalSTRS DB Program who are also members of the Public Employees Retirement System (PERS), University of California Retirement System, (UCRS) the Legislator's Retirement System (LRS), or the San Francisco City and County Employees' Retirement System to have reciprocity between systems. Reciprocity includes the computation of final compensation, the right to redeposit accumulated retirement contributions, and the eligibility to retire.

Section 22134 permits the determination of final compensation for a CalSTRS DB Program member who is also a member of PERS, LRS, UCRS, or the San Francisco System to take into

consideration the compensation earnable while a member of the other system if retirement from both systems is concurrent and other specified conditions are met.

Section 23201 permits a vested member of PERS, LRS, UCRS, or the San Francisco System to redeposit previously refunded CalSTRS accumulated retirement contributions into the CalSTRS DB Program without being employed to perform creditable service subject to the CalSTRS DB Program.

Section 24201 permits a CalSTRS DB Program member who is also a member of the PERS, LRS, UCRS, or the San Francisco City and County Employees' Retirement System to retire from CalSTRS without meeting the five-year minimum vesting requirement if specified conditions are met.

DISCUSSION

The purpose of concurrent retirement is to permit California public sector employees to change careers within the public sector without adversely affecting their retirement benefits. SB-610 would establish reciprocity between CalSTRS and the '37 Act counties, with the same provisions applicable to reciprocity agreements between CalSTRS and other public retirement systems in California.

Reciprocity is similar to portability in that it recognizes the validity of public sector employment not only in CalSTRS covered positions but also within PERS and '37 Act county covered positions. Portability among public retirement systems assists public employers in the recruitment of capable experienced employees.

There are 20 counties that would be covered by the provisions of this bill; the remaining counties in the State are part of PERS and, therefore, reciprocity with those counties already exists. This bill would simply provide comparable reciprocity benefits to those county members covered under either the '37 Act counties or under PERS.

The July 27th amendments to the bill added language to double join the provisions included in this year's Senate Bill 2126 (Schiff/PE&R), should it be enacted.

FISCAL IMPACT

Program

The bill would affect the determination of final compensation for CalSTRS DB Program members who are also members of the '37 Act counties system. There is a potential for increased program costs because retirement allowances paid by CalSTRS could be based on a higher final compensation earned as a member of the other system. The volume of CalSTRS members who would be eligible for concurrent retirement with one of the '37 Act county retirement systems is so low, however, that the overall increase in program costs would be negligible.

Administrative

Administrative costs associated with extending reciprocity rights to CalSTRS members who are also members of the '37 Act county retirement systems are minor and absorbable.

POSITION

Support - The Board supports efforts to extend reciprocity to CalSTRS members who are also members of a '37 Act county retirement system. Reciprocity, like portability, is consistent with the Board policy to improve the benefits and services provided to our members.